

Thank you for the opportunity to comment on the controls BPA is developing to manage the impact of the PacifiCorp/CAISO EIM on BPA's system and customers.

The market and operational changes proposed by PacifiCorp and CAISO in the EIM proposal are significant and will have far-reaching implications to the region. Powerex is pleased that Bonneville recognizes the significance of the EIM Proposal and has established this stakeholder process to allow BPA and its stakeholders to obtain a better understanding of the EIM design and the potential impacts.

It is important to note that the PAC/CAISO EIM proposal is one of two major initiatives presently underway at the CAISO, the other being the CAISO's Full Network Model Expansion Proposal. Both initiatives could have very significant impacts on power pricing and transmission rights throughout WECC. The dispatch efficiency and diversity benefits of an EIM, and the visibility and modeling refinements of the Full Network Model Expansion are laudable goals, which Powerex supports. However, Powerex is very concerned that:

- i) Both the PAC/CAISO EIM Proposal and the CAISO's Full Network Model Expansion Proposal could have significant detrimental impacts on the Open Access transmission framework which forms the basis of the WECC region outside CAISO, and;
- ii) Despite the region-wide impacts both initiatives could have, the CAISO's approach has been unilateral in nature, largely ignoring the OATT framework.

From that standpoint, although Powerex encourages BPA to work with PacifiCorp and the CAISO in their efforts to bring efficiencies and refinements to their market designs, Powerex believes it is critical that BPA establishes a coordination framework with CAISO that allows BPA, its stakeholders, and other Balancing Authorities and Transmission Service Providers in WECC to ensure that the PAC/CAISO EIM, the CAISO Full Network Expansion Proposal, and any other CAISO initiative does not have unforeseen negative impacts to the region.

With respect to the controls BPA proposed at the October 28 stakeholder meeting, Powerex believes that BPA has chosen appropriate principles to guide its work:

- Use of the BPA transmission system will be consistent with comparability and Open Access principles.
- Operation of the transmission system will be consistent with NERC and WECC reliability standards.
- BPA's customers in neighboring Balancing Authorities must receive fair and comparable service.

Powerex believes the guiding principles BPA has chosen are a good first step in ensuring that BPA maintains its longstanding commitment to provide comparable treatment and Open Access. We believe that adherence to these principles is necessary to ensure that the interests of BPA's customers are not unduly impacted by the implementation of the PacifiCorp/CAISO EIM.

The operational controls presented at the October 28 stakeholder meeting outline some specific monitoring and operating limits (e.g. variable transfer Delta Flow Limits, Total Market Flow Limits, etc.). Although more work needs to be done to understand what impacts the EIM may have on BPA's system and customers, the controls proposed would seem to be appropriate, and their effectiveness should be studied further.

One simple control that BPA can put in place to ensure the use of BPA's system is consistent with Open Access principles is a limitation that restricts EIM use of the BPA system to Firm transmission rights only. Unless this occurs, the PAC/CAISO EIM flows could get preferential treatment, inconsistent with the Open Access principles that guide the allocation of transmission.

As a specific comment on the allocation of dynamic usage presented on October 28, Powerex is concerned that BPA described BPA's existing Dynamic Transmission Capacity (DTC) business practice as "...a viable operational option to manage EIM transfers over the COI". BPA's existing DTC business practice is a customer-weighted, as opposed to a rights-weighted methodology, and it is thus not consistent with the principles of non-discriminatory treatment and Open Access. Powerex would point out that the existing DTC allocation business practice has never truly been tested, since Powerex has generally been the sole user of DTC on COI. Now that PacifiCorp, and others, have expressed interest in gaining access to DTC, the current allocation methodology is likely to soon be put into effect, and will prove to be critically flawed.

It is important to note that, in accordance with the principles of Open Access, BPA's practices with respect to *static* (i.e. non-dynamic) usage specify that when transmission capacity rights need to be reduced because of a constraint or derate on the system, the reductions are applied to transmission requests of the same priority on a "rights-weighted" basis – with pro-rata reductions according to the total capacity held by each customer. One of the critical aspects of this pro-rata method for transmission capacity allocation is that it sends the appropriate signal for investments in transmission. We believe *dynamic* capacity rights should be treated no differently in this regard; service should be granted in proportion to the investment. Each customer should receive the same percentage of access, whether dynamic or static, when expressed as a proportion of its total investment.

The application of the allocation methodology in BPA's existing DTC business practice for the COI would completely distort the investment signal, while leading to discriminatory results. In effect, it would allocate a larger percentage of DTC service to a smaller investment in transmission.

As an example, assume that the total firm capacity of a path is 1000 MW and the path has a 200 MW Dynamic transfer limit. Customer A holds 800 MW of Firm transmission rights, while customer B holds 200 MW. If both customers requested the full 200 MW of available Dynamic Capacity, using the Open Access pro-rata allocation methodology, each customer would receive 20% (200 MW/1000 MW) of its total investment in

transmission service. Customer A would receive 160 MW of DTC (20% of 800 MW), while customer B would receive 40MW of DTC (20% of 200 MW).

In stark contrast, using BPA's existing practice, Customer A would receive 100 MW of DTC, only a 12.5% share when expressed as proportion of total transmission investment, while customer B would also receive 100 MW, representing 50% of customer B's total transmission investment. There is simply no way to justify such a discriminatory result. As a final comment, Powerex is very concerned about the aggressive schedule that CAISO and PacifiCorp have chosen for the implementation of the EIM. Given the complexity of the implementation and the potential impacts the EIM may have, we believe it is vital that BPA ensures that the timeline for implementation provides BPA and its stakeholders with sufficient time to analyze and discuss the impacts to ensure that implementation does not lead to unforeseen adverse outcomes. In this regard, given the impact the EIM could have on BPA's system and customers, BPA should be seen as an equal partner to PacifiCorp and CAISO, with equitable treatment with respect to, not only the implementation timelines, but also operational control designs, and issue resolution.

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